

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF SENEY	County SCHOOLCRAFT
Fiscal Year End 03-31-06	Opinion Date 05-11-06	Date Audit Report Submitted to State 08-31-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

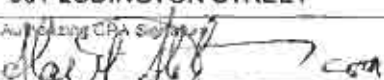
We further affirm the following material: no responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below (See instructions for further detail.)

- 1 ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- 2 ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- 3 ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- 4 ☒ ☐ The local unit has adopted a budget for all required funds.
- 5 ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- 6 ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- 7 ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- 8 ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- 9 ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- 10 ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- 11 ☐ ☒ The local unit is free of repeated comments from previous years.
- 12 ☒ ☐ The audit opinion is UNQUALIFIED.
- 13 ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- 14 ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- 15 ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	SCHEDULE OF FEDERAL EXPENDITURES	
Certified Public Accountant (Firm Name) ANDERSON, TACKMAN & CO., PLC		Telephone Number 906-786-3111	
Street Address 901 LUDINGTON STREET		City ESCANABA	State MI
		Zip 49829	
Authorizing CPA Signature 		Printed Name ALAN M. STOTZ, CPA	License Number A245734

TOWNSHIP OF SENEY

BASIC FINANCIAL STATEMENTS

For the Year Ended March 31, 2006

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Seney

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Seney as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Seney's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Seney as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2006, on our consideration of the Township of Seney's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 10, and 30 through 31, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Seney's basic financial statements. The comparative statements for the water fund are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The comparative water fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

May 11, 2006

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Seney Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2006. Please read it in conjunction with the Township's financial statements, which begin on page 11.

The Seney Township's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the township's financial activity; (c) identify changes in the township's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns.

FINANCIAL HIGHLIGHTS

- Net assets for the Township were reported at \$3,422,524. Net assets for our business-type activities were \$991,844 or 29% of total net assets, while net assets in our governmental activities were \$2,430,680 or 71% of total net assets.
- The Township's expenses for the year totaled \$237,966, while revenues from all sources totaled \$1,888,221, resulting in an increase in net assets of \$1,650,255.
- In the Township's business type activities, total revenues were \$21,670, or 1% of total revenue, while expenses totaled \$41,113, or 17% of total expenses. These excess expenditures over revenue resulted in a decline of net assets in an amount of \$19,443.
- The General Fund reported an increase in fund balance of \$133,410 compared to a decline of \$82,057 in 2005. This was after revenues of \$135,904 compared to \$122,046 in 2005, and expenditures of \$185,546 compared to \$204,103 in 2005.
- The Township reported a new fund in 2006; the Sewer Construction Fund. This fund reports the activities surrounding the construction of a sewer system for the Township's residents. Total revenues for this project, primarily from federal sources, were \$2,301,782 while expenditures were \$2,118,688. These excess revenues were transferred to the General Fund to cover expenditures paid out of the General Fund in prior years.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 11 and 12) provide information about the activities of the Township as a whole and present a longer term view of the Township's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The remaining statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the Township.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

Reporting the Township as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the Township as a whole begins on page 6. One of the most important questions asked about the Township's finances; "Is the Township as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's net assets- the difference between assets and liabilities- as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's property tax base to assess the *overall financial health* of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two categories of activities:

- Governmental activities - Most of the Township's basic services are reported here including legislative, public safety, recreation and cultural, and general government as well as special capital projects. Property taxes, federal grants, and state shared revenues make up the majority of revenue for these activities.
- Business-type activities - The Township charges to provide water utility services to customers.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Our analysis of the Township's major funds begin on page 8. The fund financial statements begin on page 13 and provide detailed information on the most significant funds - not the Township as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Township Board of Trustees may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The Township's two kinds of funds - governmental and proprietary - use different accounting methods.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

- *Governmental funds* - Most of the Township's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the Township charges customers for the services it provides - whether to outside customers or to other units of the Township - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise fund (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The Township as a Trustee

The Township is the trustee, or *fiduciary*, for tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 20. We exclude these funds from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

The Township as a Whole

The Township's net combined assets increased by \$1,650,255.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Assets:				
Current and other assets	\$ 671,459	\$ 247,456	\$ 78,637	\$ 93,215
Capital assets (net)	2,749,067	657,217	955,694	960,139
Total Assets	<u>\$ 3,420,526</u>	<u>\$ 904,673</u>	<u>\$ 1,034,331</u>	<u>\$ 1,053,354</u>
Liabilities:				
Current liabilities	\$ 411,426	\$ 112,474	\$ 42,487	\$ 42,067
Long-term debt outstanding	578,420	31,217	-	-
Total Liabilities	<u>\$ 989,846</u>	<u>\$ 143,691</u>	<u>\$ 42,487</u>	<u>\$ 42,067</u>
Net Assets:				
Invested in capital assets, net of related debt	\$ 2,147,857	\$ 609,844	\$ 955,694	\$ 960,139
Expendable				
Special Revenue	-	-	-	-
Unrestricted	282,823	151,138	36,150	51,148
Total Net Assets	<u>\$ 2,430,680</u>	<u>\$ 760,982</u>	<u>\$ 991,844</u>	<u>\$ 1,011,287</u>

Net assets of the Township's governmental activities stood at \$2,430,680 in 2006, up 219% from 2005 of \$760,982. A large portion of this increase is due to federal grants received to construct a sewer system, thus contributing to the Township's capital asset balance. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$282,823 and \$151,138 in 2006 and 2005, respectively.

Net assets in our business-type activities stood at \$991,844 in 2006, down 2% from 2005 of \$1,011,287. Unrestricted net assets for our business-type activities were \$36,150 in 2006 and \$51,148 in 2005.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Revenues:				
Program Revenues:				
Charges for services	\$ 25,557	\$ 18,300	\$ 21,670	\$ 18,173
General Revenues:				
Property taxes	96,812	92,225	-	-
Federal sources	1,731,782	-	-	-
State revenues sharing	12,400	12,154	-	-
Total Revenues	<u>1,866,551</u>	<u>122,679</u>	<u>21,670</u>	<u>18,173</u>
Program Expenses:				
Legislative	3,966	5,228	-	-
General government	78,276	65,806	-	-
Public safety	26,194	22,011	-	-
Public works	8,368	7,980	-	-
Recreation and culture	47,584	20,730	-	-
Capital outlay	6,690	2,435	-	-
Interest	5,807	2,116	-	-
Other	19,968	20,780	-	-
Water utility	-	-	41,113	34,046
Total Expenses	<u>196,853</u>	<u>147,086</u>	<u>41,113</u>	<u>34,046</u>
Increase (decrease) in net assets	1,669,698	(24,407)	(19,443)	(15,873)
Net assets - beginning	<u>760,982</u>	<u>785,389</u>	<u>1,011,287</u>	<u>1,027,160</u>
Net assets - ending	<u>\$ 2,430,680</u>	<u>\$ 760,982</u>	<u>\$ 991,844</u>	<u>\$ 1,011,287</u>

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

Governmental Activities

Revenues for the Township's governmental activities totaled \$1,866,551, while expenses were \$196,853. The excess of revenues over expenditures was \$1,669,698 and is primarily due to the investment in capital assets for the sewer construction. Table three below reflects the cost of each of the Township's five largest activities; General government, Public safety, Public works, and Recreation and culture, and other, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
General government	\$ 78,276	\$ 65,806	\$ 78,276	\$ 65,211
Public safety	26,194	22,011	25,561	21,378
Public works	8,368	7,980	8,368	7,980
Recreation and culture	47,584	20,730	38,416	12,292
Other	19,968	20,780	4,212	12,146
Totals	<u>\$ 180,390</u>	<u>\$ 137,307</u>	<u>\$ 154,833</u>	<u>\$ 119,007</u>

Business-Type Activities

The Township's business-type activities net assets totaled \$991,844, with a decrease in the current year of \$19,443 from total net assets in 2005 of \$1,011,287.

THE TOWNSHIP'S FUNDS

The focus of the governmental funds of the Township is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the Township's net resources available for spending at the end of the fiscal year.

For the current fiscal year the Township's governmental funds reported total fund balance of \$2,430,680, of which \$282,823 is unreserved. This total fund balance is an increase of \$1,669,698 from the 2005 total fund balance of \$760,982 and is primarily due to contributions received from federal grants and loans to construct capital assets. The Township received \$1,731,782 in revenues from federal sources and expended those funds on construction of a sewer system, which contributed to the change in net assets invested in capital assets, net of related debt from \$609,844 in 2005 to \$2,147,857 in 2006; an increase of \$1,538,013.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The original budget projected a decrease in fund balance in the amount of \$179,865, while the actual results showed an increase to fund balance of \$133,410.

During 2005-2006 Fiscal Year, the board realized a reimbursement of a sizeable amount of funds expended for engineering and other related costs prior to funding and actual construction of the Sewer System.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended March 31, 2006, the Township had \$3,704,761, net of accumulated depreciation, invested in a variety of capital assets including land and improvements, buildings and improvements, equipment and furniture, vehicles, construction in progress, and the water system. The increase in total capital assets, net of accumulated depreciation, from the 2005 total of \$1,618,356 is due to expenditures incurred in construction the sewer system. (See table 4 below):

Table 4
Capital Assets at Year-End
(Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Land and improvements	\$ 182,983	\$ 185,990	\$ -	\$ -
Buildings and improvements	186,191	193,310	-	-
Machinery and equipment	120,213	126,011	-	-
Construction in progress	2,259,680	151,906	-	-
Water system	-	-	955,694	960,138
Total	<u>\$ 2,749,067</u>	<u>\$ 657,217</u>	<u>\$ 955,694</u>	<u>\$ 960,138</u>

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

DEBT

At year-end the Township had \$31,210 in notes outstanding and \$570,000 in loans outstanding. The increase from the total of \$47,373 in 2005 is due to a \$570,000 loan obtained from Rural Development to assist in funding the construction of the Township's sewer system.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Note payable:				
Pumper truck & tanker truck	\$ 31,210	\$ 47,373	\$ -	\$ -
Loan payable:				
Sewer construction	570,000	-	-	-
Totals	<u>\$ 601,210</u>	<u>\$ 47,373</u>	<u>\$ -</u>	<u>\$ -</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Township Board and Township management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services.

The Township will be applying for further grants to construct a service building for the water and sewer equipment and supplies as previous grant funds were used towards the construction of the sewer system. We will also be applying for other grants to extend the water mains to service more residents of the township.

We will be considering another increase in the Park / Campground fees therefore generating more revenues for that department as we have plans to expand the campground area of the park to service more travelers and fund a necessary upgrade to the electrical service to the sites.

We will continue to upgrade our equipment for the fire department and ambulance and will be implementing a billing program for these departments to generate more revenues. The board is also considering assessing a millage rate increase allowed for fire departments to generate additional operating revenues.

With the added utility of the sewer system in conjunction with the water system, the township board hopes this will serve as an incentive to entice further business development and residential growth in our community.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the Township Supervisor at the Seney Township Hall, P.O. Box 116, Seney, Michigan 49883.

Basic Financial Statements

TOWNSHIP OF SENEY
STATEMENT OF NET ASSETS
March 31, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents			
Unrestricted	\$ 179,719	\$ 78,637	\$ 258,356
Restricted	380,830	-	380,830
Receivables:			
Notes	37,789	-	37,789
Due from other funds	73,121	-	73,121
Total current assets	671,459	78,637	750,096
Noncurrent assets:			
Capital assets, net of accumulated depreciation	2,749,067	955,694	3,704,761
Total assets	\$ 3,420,526	\$ 1,034,331	\$ 4,454,857
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 158,084	\$ -	\$ 158,084
Due to other funds	27,504	41,296	68,800
Due to other governmental units	1,174	-	1,174
Deferred revenue	201,874	-	201,874
Long-term liabilities due within one year:			
Notes payable	16,790	-	16,790
Loan payable	6,000	-	6,000
Other	-	1,191	1,191
Total current liabilities	411,426	42,487	453,913
Long-term liabilities:			
Notes payable	14,420	-	14,420
Loan payable	564,000	-	564,000
Total long-term liabilities	578,420	-	578,420
Total liabilities	989,846	42,487	1,032,333
NET ASSETS			
Invested in capital assets, net of related debt	2,147,857	955,694	3,103,551
Restricted for:			
Expendable:			
Special revenue	-	-	-
Unrestricted	282,823	36,150	318,973
Total net assets	2,430,680	991,844	3,422,524
TOTAL LIABILITIES AND NET ASSETS	\$ 3,420,526	\$ 1,034,331	\$ 4,454,857

See accompanying notes to financial statements.

TOWNSHIP OF SENEY
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2006

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
Legislative	\$ 3,966	\$ -	\$ -	\$ (3,966)	\$ -	\$ (3,966)
General government	78,276	-	-	(78,276)	-	(78,276)
Public safety	26,194	633	-	(25,561)	-	(25,561)
Public works	8,368	-	-	(8,368)	-	(8,368)
Recreation and culture	47,584	9,168	-	(38,416)	-	(38,416)
Capital outlay	6,690	-	1,731,782	1,725,092	-	1,725,092
Interest	5,807	-	-	(5,807)	-	(5,807)
Other	19,968	15,756	-	(4,212)	-	(4,212)
Total governmental activities	<u>196,853</u>	<u>25,557</u>	<u>1,731,782</u>	<u>1,560,486</u>	<u>-</u>	<u>1,560,486</u>
Business-type activities:						
Water	<u>41,113</u>	<u>21,670</u>	<u>-</u>	<u>-</u>	<u>(19,443)</u>	<u>(19,443)</u>
Total business-type activities	<u>41,113</u>	<u>21,670</u>	<u>-</u>	<u>-</u>	<u>(19,443)</u>	<u>(19,443)</u>
Total primary government	<u>237,966</u>	<u>47,227</u>	<u>1,731,782</u>	<u>1,560,486</u>	<u>(19,443)</u>	<u>1,541,043</u>
General revenues:						
Property taxes				96,812	-	96,812
State revenue sharing				<u>12,400</u>	<u>-</u>	<u>12,400</u>
Total general revenues				<u>109,212</u>	<u>-</u>	<u>109,212</u>
Change in net assets				1,669,698	(19,443)	1,650,255
Net assets, beginning				<u>760,982</u>	<u>1,011,287</u>	<u>1,772,269</u>
Net assets, ending				<u>\$ 2,430,680</u>	<u>\$ 991,844</u>	<u>\$ 3,422,524</u>

See accompanying notes to financial statements

TOWNSHIP OF SENEY
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2006

	Major Funds		Non-Major Fund	Total Governmental Funds
	General Fund	Sewer Construction	Special Revenue	
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 179,719	\$ -	\$ -	\$ 179,719
Restricted	18,210	362,620	-	380,830
Notes Receivable	37,789	-	-	37,789
Due from other funds	73,121	-	-	73,121
	<u>73,121</u>	<u>-</u>	<u>-</u>	<u>73,121</u>
Total assets	<u>\$ 308,839</u>	<u>\$ 362,620</u>	<u>\$ -</u>	<u>\$ 671,459</u>
LIABILITIES				
Accounts payable	\$ 24,884	\$ 133,200	\$ -	\$ 158,084
Due to other funds	-	27,504	-	27,504
Due to other governmental units	1,174	-	-	1,174
Deferred revenue	37,790	201,874	-	239,664
	<u>37,790</u>	<u>201,874</u>	<u>-</u>	<u>239,664</u>
Total liabilities	<u>63,848</u>	<u>362,578</u>	<u>-</u>	<u>426,426</u>
FUND BALANCES				
Reserved for loans	18,210	-	-	18,210
Unreserved:				
Undesignated	226,781	42	-	226,823
	<u>226,781</u>	<u>42</u>	<u>-</u>	<u>226,823</u>
Total fund balances	<u>244,991</u>	<u>42</u>	<u>-</u>	<u>245,033</u>
Total liabilities and fund balances	<u>\$ 308,839</u>	<u>\$ 362,620</u>	<u>\$ -</u>	<u>\$ 671,459</u>

See accompanying notes to financial statements.

TOWNSHIP OF SENEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
March 31, 2006

Total fund balances for governmental funds \$ 245,033

Total net assets reported for governmental activities in the statement of net assets
is different because:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds. Those assets consist of:

Land and land improvements	242,573	
Buildings and improvements	281,481	
Machinery and equipment	321,135	
Construction in progress (Sewer system)	2,259,680	
Accumulated depreciation	<u>(355,802)</u>	
Total capital assets		2,749,067

Long-term liabilities applicable to the Township's governmental activities are not
due and payable in the current period and accordingly are not reported as
fund liabilities. Interest on long-term debt is not accrued in governmental
funds, but rather is recognized as an expenditure when due. All liabilities,
both current and long-term, are reported in the statement of net assets.

Notes payable	(31,210)
Loan payable	(570,000)

Deferred revenue, reported as a liability on the balance sheet of the fund
financial statements, has been recognized as a revenue in the Statement of
Activities and has been removed from the Statement of Net Assets

Deferred revenue:	<u>37,790</u>
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Total net assets of governmental activities	<u><u>\$ 2,430,680</u></u>
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See accompanying notes to financial statements.

TOWNSHIP OF SENEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2006

	General Fund	Sewer Construction	Special Revenue	Total Governmental Funds
REVENUES:				
Taxes	\$ 96,812	\$ -	\$ -	\$ 96,812
Licenses and permits	-	-	633	633
Federal sources	-	1,731,782	-	1,731,782
State sources	12,400	-	-	12,400
Charges for services	9,168	-	-	9,168
Interest and rentals	7,967	-	-	7,967
Other	9,557	-	-	9,557
Total revenues	135,904	1,731,782	633	1,868,319
EXPENDITURES:				
Legislative	3,966	-	-	3,966
General government	58,002	6,647	-	64,649
Public safety	8,315	-	633	8,948
Public works	8,368	-	-	8,368
Recreation and cultural	46,170	-	-	46,170
Capital outlay	23,054	2,107,774	-	2,130,828
Debt service:				
Principal	16,163	-	-	16,163
Interest	1,540	4,267	-	5,807
Other	19,968	-	-	19,968
Total expenditures	185,546	2,118,688	633	2,304,867
Excess revenues (expenditures)	(49,642)	(386,906)	-	(436,548)
OTHER FINANCING SOURCES (USES)				
Operating transfer in	183,052	-	-	183,052
Operating transfer out	-	(183,052)	-	(183,052)
Federal loan proceeds	-	570,000	-	570,000
Total other financing sources	183,052	386,948	-	570,000
Net change in fund balance	133,410	42	-	133,452
Fund balances - beginning of year	111,581	-	-	111,581
Fund balances - end of year	\$ 244,991	\$ 42	\$ -	\$ 245,033

See accompanying notes to financial statements.

TOWNSHIP OF SENEY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2006

Net changes in fund balances - total governmental funds \$ 133,452

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,124,138) exceeded depreciation expense (\$32,287). 2,091,851

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Principal repayments:

Note principal 16,163

Receipt of payments on note receivable is a revenue in the governmental funds but reduces the receivable in the Statement of Net Assets.

Receipts on note receivable:

Revolving loan income (1,768)

Receipt of federal loan from Rural Development is revenue in the governmental funds but increases a liability on the Statement of Net Assets

Proceeds from loan:

Loan payable (570,000)

Changes in net assets of governmental activities \$ 1,669,698

See accompanying notes to financial statements.

TOWNSHIP OF SENEY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
March 31, 2006

	<u>Water Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	
Unrestricted	\$ 78,637
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>955,694</u>
Total assets	<u><u>\$ 1,034,331</u></u>
LIABILITIES	
Current liabilities:	
Due to other funds	\$ 41,296
Customer deposits	<u>1,191</u>
Total current liabilities	<u>42,487</u>
NET ASSETS	
Invested in capital assets, net of related debt	955,694
Unrestricted	<u>36,150</u>
Total net assets	<u>991,844</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,034,331</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF SENEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPE
For the Year Ended March 31, 2006

	Water Fund
OPERATING REVENUES:	
Charges for services	\$ 19,836
 OPERATING EXPENSES:	
Salaries and fringes	3,100
Office supplies	1,051
Operating supplies	3,074
Dues	515
Contracted services	1,770
Repairs and maintenance	519
Telephone	485
Utilities	2,241
Depreciation	23,197
Miscellaneous	5,161
Total operating expenses	41,113
Operating income (loss)	(21,277)
 NONOPERATING REVENUES (EXPENSES):	
Interest income	1,834
Change in net assets	(19,443)
Total net assets - beginning	1,011,287
Total net assets - ending	\$ 991,844

See accompanying notes to financial statements.

TOWNSHIP OF SENEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
For the Year Ended March 31, 2006

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 20,043
Cash payments to employees for wages	(3,100)
Cash payments to vendors for good and services	<u>(14,816)</u>
Net cash provided (used) by operating activities	<u>2,127</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>44,713</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(18,752)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>1,834</u>
Net increase (decrease) in cash and equivalents	29,922
Cash and equivalents, beginning of year	<u>48,715</u>
Cash and equivalents, end of year	<u><u>\$ 78,637</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (21,277)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	23,197
Changes in assets and liabilities:	
Increase (decrease) in customer deposits	<u>207</u>
Total adjustments	<u>23,404</u>
Net cash provided by operating activities	<u><u>\$ 2,127</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF SENEY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
March 31, 2006

ASSETS

Cash and cash equivalents:

Unrestricted	\$ 67,781
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LIABILITIES

Undistributed taxes and interest:

Township of Seney	\$ 4,321
Schoolcraft County	32,881
Eastern UP Intermediate School District	1,698
Tahquamenon Area School District	28,790
Schoolcraft Soil Conservation District	91

Total liabilities	\$ 67,781
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See accompanying notes to financial statements.

Notes to Financial Statements

TOWNSHIP OF SENEY
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township's Statement of Net Assets includes the accounts and funds of all Township operations. The Township was organized under the provisions of the Michigan constitution. The Township is operated under a commission form of government and provides services in the following areas: roads, public improvements, fire safety, water system and general administrative services.

The accounts of the Township have been maintained in accordance with the balanced fund principles of accounting for governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, and management's discussion and analysis. The following is a summary of the more significant policies and financial reporting descriptions:

- (1) Government-Wide Financial Statements - The Statement of Net Assets and Statement of Activities display information about the Township as a whole. They include all funds of the Township except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods or services provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Accounting – The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the Township are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

TOWNSHIP OF SENEY
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following as major governmental funds in accordance with the above criteria:

General Fund – as described below;

Sewer Construction Fund – this fund accounts for the expenditures required to construct the Township's sewer system and to account for the federal revenues received in constructing this system.

The Township reports the following as a major proprietary fund in accordance with the above criteria:

Water Fund – this fund accounts for the water utility services provided to the Township of Seney.

The funds of the Township are described below:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Project Funds – Capital Project Funds are used to account for the expenditures relating to acquiring specific capital assets and the revenues that are received to fund that project.

BUSINESS-TYPE FUNDS

Proprietary Fund – Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Township applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

TOWNSHIP OF SENEY
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Trust and Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

- (2) Basis of Accounting – Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting which also include the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year in which they are levied.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. State shared revenues, charges for services and interest earnings are accrued since they are measurable and available. Revenues from federal and state grants received as reimbursements for specific purposes of projects are recognized when the expenditure is incurred.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which is recognized when due.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

- (3) Budgets and Budgetary Accounting – The following procedures are followed in establishing the budgetary data reflected in these financial statements:
- a. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
 - b. The proposed budgets include expenditures as well as the methods of financing them.
 - c. Public hearings are held to obtain taxpayer comments.
 - d. The budgets are adopted at the activity level by a majority vote of the Township Board.
 - e. The budgets are adopted on the modified accrual basis of accounting.

TOWNSHIP OF SENEY
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- f. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
 - g. The adopted budgets are used as a management control device during the year for all budgetary funds.
 - h. Budget appropriations lapse at the end of each fiscal year.
 - i. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.
- (4) Property Taxes – Property taxes levied attach as an enforceable lien on property. The Township bills and collects its own property taxes and also the taxes for the local school district, the intermediate school district, and the county. Collections and remittances for all taxes are accounted for in the trust and agency fund. The Township 2005 tax roll millage rate was 1.0432 and the taxable value was \$9,225,263.
- (5) Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Township has elected not to report, nor is it required to report, its major general infrastructure assets per GASB Statement No. 34.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Township is depreciated using the straight-line method over the estimated useful lives of the assets.

- (6) Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

TOWNSHIP OF SENEY
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE B – CASH AND EQUIVALENTS

The composition of cash and equivalents as reported on the Statement of Net Assets for the Township are presented below:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Deposits:		
Insured (FDIC)	\$ 429,121	\$ 428,573
Uninsured	<u>277,846</u>	<u>278,674</u>
TOTAL OF CASH AND EQUIVALENTS	<u>\$ 706,967</u>	<u>\$ 707,247</u>
Government-Wide Statement of Net Assets presentation:		
Cash and equivalents:		
Unrestricted	\$ 258,356	
Restricted	<u>380,830</u>	
Statement of Fiduciary Net Assets presentation:		
Cash and equivalents:		
Unrestricted	<u>67,781</u>	
TOTAL	<u>\$ 706,967</u>	

Cash and cash equivalents consist solely of checking and saving account deposits.

Michigan statutes authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Interest Rate Risk. The Township carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. The Township has no investments in commercial paper.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the Township's deposits may not be returned. At March 31, 2006, the Township held \$707,247 in deposits with financial institutions, in which \$278,674 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

Concentration of Credit Risk. The Township has no significant concentration of credit risk due to the fact that its deposits are with area banks.

Foreign Currency Risk. The Township has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the Township are in accordance with statutory authority.

TOWNSHIP OF SENEY
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE C – RESTRICTED CASH

Restricted cash of, as listed in the General Fund, is restricted for the purpose of loans to local businesses under the Michigan Small Cities Block Grant program. The restricted cash balance as of March 31, 2006 of \$18,210 represents monies available for loans under this program agreement.

Restricted cash of \$362,620, as listed in the Sewer Construction Fund, is restricted for the purpose of funding the expenditures surrounding the construction of the Township sewer system. These funds were received in advance from a grant from the Environmental Protection Agency (EPA) and are restricted to be in compliance with the grant agreement between the Township and the EPA.

NOTE D – INTERFUND RECEIVABLES AND PAYABLES

A summary of the interfund receivables and payables is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
		Water Fund	\$ 41,296
		Sewer Construction	27,504
General	\$ 73,121	Trust & Agency	4,321
TOTAL:	<u>\$ 73,121</u>	TOTAL:	<u>\$ 73,121</u>

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006, is as follows:

	<u>Balance at 04/01/05</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 03/31/06</u>
Governmental activities:				
Assets not subject to depreciation:				
Land	\$ 125,000	\$ -	\$ -	\$ 125,000
Assets subject to depreciation:				
Land improvements	117,573	-	-	117,573
Buildings and improvements	281,481	-	-	281,481
Machinery and equipment	304,772	16,363	-	321,135
Construction in progress	151,906	2,107,774	-	2,259,680
Total assets subject to depreciation	<u>855,732</u>	<u>2,124,137</u>	<u>-</u>	<u>2,979,869</u>
Total capital assets	<u>980,732</u>	<u>2,124,137</u>	<u>-</u>	<u>3,104,869</u>
Less accumulated depreciation:				
Land improvements	56,583	3,007	-	59,590
Buildings and improvements	88,171	7,119	-	95,290
Machinery and equipment	178,761	22,161	-	200,922
Total accumulated depreciation	<u>323,515</u>	<u>32,287</u>	<u>-</u>	<u>355,802</u>
Net governmental activities capital assets	<u>\$ 657,217</u>	<u>\$ 2,091,850</u>	<u>-</u>	<u>\$ 2,749,067</u>

TOWNSHIP OF SENEY
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE E – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental activities as follows:

General government	\$ 13,627
Public safety	17,246
Recreation and culture	<u>1,414</u>
 Total governmental activities depreciation expense	 <u><u>\$ 32,287</u></u>

A summary of the business-type activities capital assets for the year ended March 31, 2006 is as follows:

	Balance at 04/01/05	Additions	Disposals	Balance at 03/31/06
Business-type activities:				
Water system	\$ 1,090,779	\$ 2,388	\$ -	\$ 1,093,167
Equipment	-	16,364	-	16,364
Total capital assets	<u>1,090,779</u>	<u>18,752</u>	<u>-</u>	<u>1,109,531</u>
 Less accumulated depreciation:				
Water system	130,641	21,936	-	152,577
Equipment	-	1,260	-	1,260
Total accumulated depreciation	<u>130,641</u>	<u>23,196</u>	<u>-</u>	<u>153,837</u>
 Net business-type activities capital assets	<u><u>\$ 960,138</u></u>	<u><u>\$ (4,444)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 955,694</u></u>

NOTE F – LONG-TERM DEBT

The note payable reflected in the government-wide financial statements was incurred for the purchases of a 1988 pumper truck and a 1985 2,000 gallon tanker truck. The original amount of the loan was \$80,400. The note is payable to First Bank of Gladstone, Michigan, in monthly installments of \$1,475 including interest calculated at 3.8%. The note is secured by the trucks.

The following is a summary of the note payable activity for the year:

Balance 4/1/2005	Additions	Retirements	Balance 3/31/2006
<u><u>\$ 47,373</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,163</u></u>	<u><u>\$ 31,210</u></u>

A schedule of the principal and interest payments on this note is as follows:

Year	Principal	Interest	Total
03/31/07	16,790	912	17,702
03/31/08	<u>14,420</u>	<u>259</u>	<u>14,679</u>
 TOTAL	<u><u>\$ 31,210</u></u>	<u><u>\$ 1,171</u></u>	<u><u>\$ 32,381</u></u>

TOWNSHIP OF SENEY
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE F – LONG-TERM DEBT (Continued)

The loan payable reflected in the government-wide financial statements was incurred for the purpose of funding the construction of the Township's sewer system. The original amount of the loan was \$570,000. The note is payable to Rural Development, in annual installments ranging from \$6,000 to \$30,500. Interest is calculated semiannually at the rate of 4.125%. Interest only payments are due on January 1 and principal and interest payments are due on July 1 starting with the first interest payment in 2006.

The following is a summary of the loan payable activity for the year:

Balance at 4/1/2005	Additions	Deletions	Balance at 3/31/2006
\$ -	\$ 570,000	\$ -	\$ 570,000

A schedule of the principal and interest payments on this loan is as follows:

Fiscal Year	Principal	Interest	Total
2007	\$ 6,000	\$ 23,389	\$ 29,389
2008	6,000	23,141	29,141
2009	6,500	22,883	29,383
2010	7,000	22,605	29,605
2011	7,000	22,316	29,316
2012-2016	40,500	106,848	147,348
2017-2021	50,000	97,556	147,556
2022-2026	62,500	85,955	148,455
2027-2031	78,500	71,476	149,976
2032-2036	98,000	53,378	151,378
2037-2041	121,000	30,896	151,896
2042-2044	87,000	5,507	92,507
Total	\$ 570,000	\$ 565,950	\$ 1,135,950

NOTE G – PENSION PLAN

The Township has a money purchase pension plan covering substantially all full-time employees. The plan is administered by Municipal Retirement Systems, Inc. The Township makes contributions annually in the amount of 10 percent of the employees annual compensation. Information relative to the plan is as follows:

Year	Pension Contribution
03/31/02	\$ 2,472
03/31/03	2,042
03/31/04	5,313
03/31/05	4,271
03/31/06	3,091

TOWNSHIP OF SENEY
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE H – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE I – BUDGET VIOLATION

The Township's budget is in violation of P.A. 2 of 1968 which states the following:

"...The total estimated expenditures, including an accrued deficit, in the budget shall not exceed the total estimate revenues, including an available unappropriated surplus and the proceeds from bonds or other obligations issued under the fiscal stabilization act or the balance of the principal of these bonds or other obligations." (MCL141.435, Sec. 15 (2)).

The Township has budgeted expenditures in excess of estimated revenues and fund balance in an amount of \$68,284.

Required Supplementary Information

TOWNSHIP OF SENEY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
REVENUES:				
Taxes	\$ 96,251	\$ 96,251	\$ 96,812	\$ 561
State sources	6,974	6,974	12,400	5,426
Charges for services	9,000	9,000	9,168	168
Interest and rentals	5,500	5,500	7,967	2,467
Other	-	-	9,557	9,557
Total revenues	117,725	117,725	135,904	18,179
EXPENDITURES:				
Legislative:				
Board of commissioners	15,000	15,000	3,966	11,034
General government:				
Supervisor	15,600	15,600	5,258	10,342
Clerk	12,600	12,600	4,955	7,645
Treasurer	12,600	12,600	6,160	6,440
Township hall & grounds	21,600	21,600	8,504	13,096
Auditing and accounting	19,000	19,000	960	18,040
Elections	6,030	6,030	600	5,430
Board of review	2,500	2,500	825	1,675
Assessor	8,800	8,800	6,684	2,116
Cemetery	7,500	7,500	-	7,500
Contractual services	43,657	65,657	24,056	41,601
Public safety:				
Fire department	43,800	53,800	8,315	45,485
Ambulance	17,300	7,300	-	7,300
Public works:				
Street lighting	10,500	10,000	8,368	1,632
Roads	40,500	19,000	-	19,000
Sewer engineering	45,000	45,000	-	45,000
Sanitary landfill	-	700	-	700
Recreation and culture:				
Recreation and parks	44,497	44,497	46,170	(1,673)
Capital Outlay:				
General	-	-	16,364	(16,364)
Fire department	-	-	6,690	(6,690)
Debt service:				
Principal	-	-	16,163	(16,163)
Interest	-	-	1,540	(1,540)
Other:				
Employee benefits	5,000	5,000	3,091	1,909
Insurance & bonds	22,700	22,000	16,389	5,611
Miscellaneous	6,668	6,668	488	6,180
Total expenditures	400,852	400,852	185,546	215,306
Excess revenues (expenditures)	(283,127)	(283,127)	(49,642)	233,485
OTHER FINANCING SOURCES				
Operating transfer in	103,262	103,262	183,052	79,790
Net change in fund balance	(179,865)	(179,865)	133,410	313,275
Fund balances - beginning	111,581	111,581	111,581	-
Fund balances - ending	\$ (68,284)	\$ (68,284)	\$ 244,991	\$ 313,275

See accompanying notes to financial statements.

TOWNSHIP OF SENEY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SEWER CONSTRUCTION FUND
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Federal grant	\$ -	\$ -	\$ 1,731,782	\$ 1,731,782
EXPENDITURES:				
Sewer construction/engineering	-	-	2,118,688	(2,118,688)
Excess revenues (expenditures)	-	-	(386,906)	(386,906)
OTHER FINANCING SOURCES (USES)				
Operating transfer out	-	-	(183,052)	(183,052)
Federal loan proceeds	-	-	570,000	570,000
Total other financing sources	-	-	386,948	386,948
Net change in fund balance	-	-	42	42
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 42	\$ 42

See accompanying notes to financial statements.

Other Supplementary Information

TOWNSHIP OF SENEY
COMPARATIVE STATEMENT OF NET ASSETS
WATER FUND
March 31, 2006 and 2005

	<u>March 31, 2006</u>	<u>March 31, 2005</u>
ASSETS		
Current assets:		
Cash and cash equivalents		
Unrestricted	\$ 78,637	\$ 48,715
Due from other funds	-	44,500
Total current assets	<u>78,637</u>	<u>93,215</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>955,694</u>	<u>960,139</u>
Total assets	<u>\$ 1,034,331</u>	<u>\$ 1,053,354</u>
LIABILITIES		
Current liabilities:		
Due to other funds	\$ 41,296	\$ 41,083
Customer deposits	<u>1,191</u>	<u>984</u>
Total current liabilities	<u>42,487</u>	<u>42,067</u>
NET ASSETS		
Invested in capital assets, net of related debt	955,694	960,139
Unrestricted	<u>36,150</u>	<u>51,148</u>
Total net assets	<u>991,844</u>	<u>1,011,287</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,034,331</u>	<u>\$ 1,053,354</u>

See accompanying notes to financial statements.

TOWNSHIP OF SENEY
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
WATER FUND
March 31, 2006 and 2005

	<u>March 31, 2006</u>	<u>March 31, 2005</u>
OPERATING REVENUES:		
Charges for services	<u>\$ 19,836</u>	<u>\$ 16,951</u>
OPERATING EXPENSES:		
Salaries and wages	3,100	3,552
Office supplies	1,051	3,587
Operating supplies	3,074	-
Dues	515	-
Training	-	620
Travel	-	62
Contracted services	1,770	-
Repairs and maintenance	519	-
Telephone	485	427
Utilities	2,241	1,395
Depreciation	23,197	21,816
Miscellaneous	<u>5,161</u>	<u>2,587</u>
Total operating expenses	<u>41,113</u>	<u>34,046</u>
Operating income (loss)	<u>(21,277)</u>	<u>(17,095)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	<u>1,834</u>	<u>1,222</u>
Change in net assets	(19,443)	(15,873)
Total net assets - beginning	<u>1,011,287</u>	<u>1,027,160</u>
Total net assets - ending	<u><u>\$ 991,844</u></u>	<u><u>\$ 1,011,287</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF SENEY
STATEMENT OF CASH FLOWS
WATER FUND
For the Year Ended March 31, 2006 and 2005

	<u>March 31, 2006</u>	<u>March 31, 2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 20,043	\$ 16,375
Cash payments to employees for wages	(3,100)	(3,552)
Cash payments to vendors for good and services	<u>(14,816)</u>	<u>(8,679)</u>
Net cash provided (used) by operating activities	<u>2,127</u>	<u>4,144</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	-	(44,500)
Transfers from other funds	<u>44,713</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>44,713</u>	<u>(44,500)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	<u>(18,752)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>1,834</u>	<u>1,222</u>
Net increase (decrease) in cash and equivalents	29,922	(39,134)
Cash and equivalents, beginning of year	<u>48,715</u>	<u>87,849</u>
Cash and equivalents, end of year	<u><u>\$ 78,637</u></u>	<u><u>\$ 48,715</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ (21,277)</u>	<u>\$ (17,095)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	23,197	21,816
Changes in assets and liabilities:		
Increase (decrease) in customer deposits	<u>207</u>	<u>(577)</u>
Total adjustments	<u>23,404</u>	<u>21,239</u>
Net cash provided by operating activities	<u><u>\$ 2,127</u></u>	<u><u>\$ 4,144</u></u>

See accompanying notes to financial statements.

Single Audit Section



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Ericki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA
Sarah Petoza, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Township Board
Township of Seney

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Seney as of and for the year ended March 31, 2006, which collectively comprise the Township of Seney's basic financial statements and have issued our report thereon dated May 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Seney's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Members of the Township Board
Township of Seney

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Seney's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Township of Seney in a separate letter dated May 11, 2006.

This report is intended solely for the information and use of the Seney Township Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.
Certified Public Accountants

May 11, 2006



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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Sarah Pelozo, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Township Board
Township of Seney

Compliance

We have audited the compliance of the Township of Seney with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2006. The Township of Seney's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Township of Seney's management. Our responsibility is to express an opinion on Township of Seney's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Township of Seney's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Township of Seney's compliance with those requirements.

In our opinion, the Township of Seney, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2006.

Internal Control Over Compliance

The management of the Township of Seney is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Township of Seney's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Seney Township Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Toekman & Company P.L.C.
Certified Public Accountants

May 11, 2006

TOWNSHIP OF SENEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended March 31, 2006

Federal Grantor/Pass-through/Program Title	<u>Federal CFDA #</u>	<u>Agency/Pass- through #</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed through Rural Development			
Community Development Block Grant	14.228	MSC-20308-PW	\$ 317,578
U.S. Department of Agriculture			
Passed through Rural Development			
Water and Waste Water Disposal Systems for			
Rural Communities	10.760		1,253,500
Sewer Construction Loan	10.760		570,000
U.S. Environmental Protection Agency			
Congressionally Mandated Projects	66.202	XP-96578101-0	<u>160,704</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,301,782</u></u>

TOWNSHIP OF SENEY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended March 31, 2006

NOTE A – OVERSIGHT AGENCY

The U.S. Environmental Protection Agency is the current year's oversight agency for the single audit as determined by the agency providing the largest direct share of the Township's federal financial assistance.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the grant activity of the Township of Seney and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE C – PASS-THROUGH GRANTOR'S OR PROGRAM NUMBERS

The pass-through grantor's number represents the Township's provider I.D. number. Such other I.D. numbers were not available or provided by the State administering agencies.

NOTE D – FEDERAL REVENUE RECONCILIATION

Federal revenue per governmental fund financial statements	
Federal grant proceeds	\$ 1,731,782
Federal loan proceeds	570,000
 Federal expenditures per schedule of expenditures of federal awards	 <u>2,301,782</u>
 Difference	 \$ <u><u>-</u></u>

TOWNSHIP OF SENEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended March 31, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Township of Seney.
2. There were no reportable conditions disclosed during the audit of the basic financial statements to be reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. There were no instances of noncompliance material to the basic financial statements of the Township of Seney disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal programs as reported in the *Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal programs for the Township of Seney expresses an unqualified opinion.
6. There were no audit findings relative to the major federal programs for the Township of Seney.
7. The program tested as a major program included:
 - Water & Wastewater Disposal Systems for Rural Communities, CFDA #10.760
 - Community Development Block Grant, CFDA #14.228
8. The threshold for distinguishing Type A & B programs was \$300,000.
9. The Township of Seney was not determined to be a low-risk auditee.

TOWNSHIP OF SENEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended March 31, 2006

**B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

	<u>Questioned Costs</u>
There were no findings for the current fiscal year.	\$ -

TOWNSHIP OF SENEY
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended March 31, 2006

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

	<u>Questioned Costs</u>
There were no findings for the prior fiscal year.	\$ -



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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Christina A. Smigowski, CPA
Sarah Peloza, CPA

REPORT TO MANAGEMENT

Township Board
Township of Seney
P.O. Box 116
Seney, Michigan 49883

We have audited the financial statement of the Township of Seney for the year ended March 31, 2006, and have issued our reports thereon dated May 11, 2006. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated October 25, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Township of Seney. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Seney's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township of Seney are described in Note A of the financial statements.

We noted no transactions entered into by the Township of Seney during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgement and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of these estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the Township of Seney or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Seney's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the Township of Seney, for the year ended March 31, 2006, we considered the Township of Seney's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated May 11, 2006, on the financial statements of the Township of Seney.

We have already discussed many of these comments and recommendations with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the Township of Seney and management of the Township and is not intended to be and should not be used by anyone other than these specified parties.

Andersen, Tuckman & Company P.L.C.
Certified Public Accountants

May 11, 2006

Segregation of Duties

As noted in the prior year's comments and recommendations, there is an inadequate segregation of duties with respect to cash control. It was also noted in the comments and recommendations during your last audit that management felt it was not practical to change any of the procedures with regard to cash control. We recommend that the board continue to review cash activity balances at each board meeting to operate as a control and check over cash activity.

Tax Account

We noted during our audit that the tax account activity is not included in the general ledger activity maintained by your commercial accountants. We recommend that the tax account activity be given to the commercial accountants so that this activity will also be included in your monthly reports and general ledger.

We also noted that the taxes collected were not distributed prior to the year end. Although these distributions were made in a timely manner subsequent to year end, it may be of interest to the Township to distribute these funds prior to the year end in order to avoid the appearance or possibility of delinquent distributions.

Water Ordinance W-3

Water ordinance W-3 provides for the establishment of a depreciation fund. While the ordinance does not contain a specific dollar amount requirement, it seems clear that the ordinance provides a requirement for system replacement funding. We recommend that the board consider establishing this fund and determining a systematic method of funding it.

Computerized Accounting System

This is the first full year in which the Township has used Quickbooks to record the financial activities of the Township in hopes of independently recording their activities. We noted that the activities recorded in the general ledger by the Township does not agree to the general ledger provided by the commercial accountant. It is recommended that the ledgers of both sources agree to each other, or that they be reconciled to, for example, account for timing differences. Thus, we recommend that the Township consider continuing their usage of the commercial accountant as a means of maintaining an auditable account of the Township activities, and to begin reconciling their activities to these reports before considering the option of independently maintaining their records.

Revolving Loan Activity

We noted during the current fiscal year that a previously written off receivable from Superior County Wood Truss was deemed to be receivable. This loan was initially provided to Superior Wood Truss through a grant provided by the Michigan Small Cities program, and the activity is currently being recorded in the general fund. It is recommended, as these funds become available to loan to other entities, that the activity be recorded in a separate Special Revenue fund if the monies continue to be loaned on a more routine basis.

Water Fund Losses

We noted operating losses, for the second consecutive year, in the operations of the Water Fund. The Board may want to consider amending its fee structure surrounding utilities in order to mitigate any operating losses and to prepare for maintenance and repairs to the current water system in subsequent years. These losses are primarily due to the lack of consideration of the effects of depreciation on the water system, thus any analysis of the fee structure should contain a provision for this annual expense of the Water Fund.

Bank Reconciliations

During the audit, the auditor became aware that the commercial accountant is the person responsible for reconciling the bank accounts of the Township. It is recommended that the Township Treasurer review these reconciliations as a way to strengthen internal controls over cash.

Budget Violations in Accordance with P.A. 2 of 1968

The Township's budget is adopted using "Cash on Hand" rather than fund balance. Fund balance is the amount that should be used in budgeting in accordance with the Uniform Budgeting and Accounting Act (P.A. 2 of 1968) as a representation of the accumulated proceeds or deficits from prior year activities. When properly applied to the budget figures, this results in the Township budgeting expenditures in excess of proceeds and accumulated fund balance surplus, which is a violation of a State statute. It is recommended that the Township adopt the budget using fund balance and that they consider adopting the budgeted expenditures to more closely estimate the Township's activities.